EXHIBIT 138

Company: CDK Global, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From to

Commission File Number 001-36486

CDK Global, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-5743146**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1950 Hassell Road, Hoffman Estates, IL	**60169**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (847) 397-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting

company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant, as of December 31, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $7.5 billion.

The number of shares outstanding of the registrant's common stock as of August 5, 2016 was 150,143,069.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference to the registrant's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the fiscal year end of June 30, 2016.

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Part I

Forward-Looking Statements

This Annual Report on Form 10-K contains, and other written or oral statements made from time to time by CDK Global, Inc. ("CDK," or the "Company") may contain, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including targeted adjusted results for the Company's fiscal years ending June 30, 2018 and 2019, statements concerning the Company's payment of dividends or the repurchase of shares and its business transformation plan, other plans, objectives, forecasts, goals, beliefs, business strategies, future events, business conditions, results of operations, financial position, business outlook, business trends, and other information, may be forward-looking statements. Words such as "might," "will," "may," "could," "should," "estimates," "expects," "continues," "contemplates," "anticipates," "projects," "plans," "potential," "predicts," "intends," "believes," "forecasts," "future," "assumes," and variations of such words or similar expressions are intended to identify forward-looking statements. In particular, information appearing under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed, or implied by, these forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include:

- the Company's success in obtaining, retaining, and selling additional services to customers;
- the pricing of our products and services;
- overall market and economic conditions, including interest rate and foreign currency trends, and technology trends;
- auto sales and advertising and related industry changes;
- competitive conditions;
- changes in regulation;
- changes in technology, security breaches, interruptions, failures, and other errors involving our systems;
- availability of skilled technical employees/labor/personnel;
- the impact of new acquisitions and divestitures;
- employment and wage levels;
- availability of capital for the payment of debt service obligations or dividends or the repurchase of shares;
- our ability to timely and effectively implement our business transformation plan, which is intended to increase operating efficiency and improve our global cost structure, while limiting or mitigating business disruption; and
- the ability of our significant stockholders and their affiliates to significantly influence our decisions.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. You should carefully read the factors described elsewhere in this document under "Risk Factors" in Part I, Item 1A in this Annual Report on Form 10-K for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this Annual Report on Form 10-K, even if subsequently made available by us on our website or otherwise, and are expressly qualified in their entirety by the cautionary statements included in this Annual Report on Form 10-K. We disclaim any obligation to update or revise forward-looking statements that may be made to reflect new information or future events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

The following discussion should be read in conjunction with our consolidated and combined financial statements and accompanying notes thereto included elsewhere herein. In this Annual Report on Form 10-K, all references to "we," "our," and "us" refer collectively to CDK and its consolidated subsidiaries.

Item 1. Business

Our Company

We are a leading global provider of integrated information technology and digital marketing solutions to the automotive retail and adjacent industries. Focused on evolving the automotive retail experience, we provide solutions to dealers in more than 100 countries around the world, covering more than 27,000 retail locations and most original equipment manufacturers ("OEMs"). We have over 40 years of history providing innovative solutions to automotive retailers and OEMs to better manage, analyze, and grow their businesses. Our solutions automate and integrate all parts of the buying process from targeted digital advertising and marketing campaigns to the sale, financing, insuring, parts supply, repair, and maintenance of vehicles. We believe the breadth of our integrated solutions allows us to more comprehensively address the varied needs of automotive retailers than any other single competitor in our industry.

Effective July 1, 2016, we executed a comprehensive plan to streamline our organization that will enable us to deliver an improved customer experience, create significant efficiencies, and better align us to implement our business transformation plan. Refer to "Business Transformation Plan" under Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information on our business transformation plan. The organizational changes included integrating product management, combining the Digital Marketing and Automotive Retail North America operations into a single organization, creating a single North America sales organization, and forming a global research and development organization.

Our History and Our Spin-off from ADP

We were the Dealer Services business of Automatic Data Processing, Inc. ("ADP"). In 1972, Dealer Services became ADP's third major business unit, offering accounting, service, management, and inventory processing services to automotive retailers. We have since expanded our role in the industry to encompass the full automotive retail value chain by developing integrated Dealer Management Systems ("DMSs") and other solutions that help retailers manage and grow their businesses. In 2005, we expanded our international footprint through our acquisition of Kerridge Computer Company Limited ("Kerridge"), which provided us with a multi-country DMS platform in Europe, the Middle East, Asia, Africa, and Latin America and has become the basis for our international business. In 2010, we acquired Cobalt, a leading provider of automotive digital marketing solutions, which has enabled us to solidify and expand our digital marketing capabilities.

On April 9, 2014, the board of directors of ADP approved the spin-off of the Dealer Services business. On September 30, 2014, the spin-off became effective and ADP distributed 100% of the common stock of the Company to the holders of record of ADP's common stock as of September 24, 2014 (the "spin-off").

Reportable Segments

Fiscal 2017 Segments

As a result of the organizational changes that became effective July 1, 2016, we reorganized into two main operating groups, CDK North America and CDK International. In connection with this reorganization, the information that our chief operating decision maker regularly reviews for purposes of allocating resources and assessing performance changed, which resulted in a reassessment of our operating segments. The Company's new operating segments, which are also our reportable segments, are comprised of (i) Retail Solutions North America, (ii) Advertising North America, and (iii) CDK International. Retail Solutions North America and Advertising North America together comprise the CDK North America operating group. The following is a brief description of our new segments' operations.

Retail Solutions North America

Through our Retail Solutions North America segment, we provide technology-based solutions, including automotive website platforms, that help automotive retailers, OEMs, and other industry participants manage the acquisition, sale, financing, insuring, parts supply, repair, and maintenance of vehicles. Our solutions help our customers streamline their operations, better target and serve their customers, and enhance the financial performance of their retail operations. In addition to providing solutions to retailers and manufacturers of automobiles, we also provide solutions to retailers and manufacturers of heavy trucks, construction equipment, agricultural equipment, motorcycles, boats, and other marine and recreational vehicles.

Advertising North America

Through our Advertising North America segment, we provide advertising solutions, including management of digital advertising spend, for OEMs and automotive retailers. These solutions provide a coordinated offering across multiple marketing channels to help achieve customer marketing and sales objectives and coordinate execution between OEMs and their retailer networks.

CDK International

Through our CDK International segment, we provide technology-based solutions similar to the retail solutions provided in our Retail Solutions North America segment in approximately 100 countries outside of the United States ("U.S.") and Canada. The solutions that we provide within this segment allow our customers to streamline their business operations and enhance their financial performance within their local marketplace, and in some cases where we deal directly with OEMs, across international borders. Customers of this segment include automotive retail dealers and OEMs across Europe, the Middle East, Asia, Africa, and Latin America.

Fiscal 2016 and Prior Segments

During the year ended June 30, 2016 ("fiscal 2016"), our operations were organized into two main businesses: Automotive Retail and Digital Marketing. The Automotive Retail business comprises Automotive Retail North America ("ARNA") and Automotive Retail International ("ARI") operating segments, and the Digital Marketing business comprises our Digital Marketing ("DM") operating segment. A brief description of each of these three segments' operations is provided below.

Automotive Retail North America

Through our ARNA segment, we provide technology-based solutions that help automotive retailers, OEMs, and other industry participants manage the acquisition, sale, financing, insuring, parts supply, repair, and maintenance of vehicles. Our solutions help our customers streamline their operations, better target and serve their customers, and enhance the financial performance of their retail operations. In addition to providing solutions to retailers and manufacturers of automobiles, we also provide solutions to retailers and manufacturers of heavy trucks, construction equipment, agricultural equipment, motorcycles, boats, and other marine and recreational vehicles.

Automotive Retail International

Through our ARI segment, we provide technology-based solutions similar to those provided in our ARNA segment in approximately 100 countries outside of the U.S. and Canada. The solutions provided to our customers within the ARI segment of our business help streamline operations for their businesses and enhance the financial performance of their operations within their local marketplace, and in some cases where we deal directly with OEMs, across international borders. Customers of our ARI segment include automotive retail dealers and OEMs across Europe, the Middle East, Asia, Africa, and Latin America.

Digital Marketing

Through our DM segment, we provide a suite of integrated digital marketing solutions for OEMs and automotive retailers, including websites and management of their digital advertising spend. These solutions provide a coordinated offering across multiple digital marketing channels to help achieve customer marketing and sales objectives and coordinate execution between OEMs and their retailer networks. Our solutions are currently provided in the U.S., Canada, Mexico, Australia, and New Zealand.

Refer to "Analysis of Reportable Segments" within "Results of Operations" under Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 18, "Financial Data by Segment" to our consolidated and combined financial statements under Item 8 of Part II of this Annual Report on Form 10-K for financial information regarding our operating segments and geographic areas.

Products and Services

The following discussion of our products and services is organized in a manner consistent with the way we have organized our business effective July 1, 2016. When we refer to "Retail Solutions," we are referring to our Retail Solutions North America and CDK International operating segments, and when we refer to "Advertising," we are referring to our Advertising North America operating segment.

Retail Solutions

Customers

We serve a broad and diverse customer base in the automotive retail industry. Our customers include most major OEMs and a significant number of their associated franchised retail locations. Our customer base also includes lenders, aftermarket providers, and other service and information providers to the automotive retail industry.

Automotive Retailers. We primarily serve franchised independent automotive retailers in North America and internationally. We work with the following types of automotive retail organizations:

- *Public Franchised Automotive Retail Groups* - customers in this group are publicly traded companies that own multiple automotive retail locations and have multiple franchises;

- *Private Franchised Automotive Retail Groups* - customers in this group own two or more automotive retail locations consisting of two or more franchises;

- *Private Single-Location Franchised Automotive Retailers* - customers in this group own and manage a single automotive retail location consisting of one or more franchises;

- *OEM Company-Owned Retail Locations* - customers in this group are OEMs which own and operate one or more automotive retail locations; and

- *Independent Used Car Retailers* - customers in this group own and manage one or more retail locations. Independent used car retailers do not have OEM franchises for new vehicle sales and authorized services and instead sell only used cars and related financing, insurance, parts, repair, and maintenance services.

OEMs. We directly sell data management, business intelligence, benchmarking, and DMS integration services to OEMs. In addition, we coordinate with OEMs to offer, on either a mandatory or elective basis, branded and/or endorsed solutions for their associated franchised automotive retail networks.

Other Application, Service, and Information Providers. Through a certified integration program for our Drive DMS solution in North America, we enable third-party application and service providers to deliver their solutions more broadly into our DMS customer base.

Services

The following table includes a list and summary description of the primary solutions we provide as part of our Retail Solutions businesses.

Solutions	Description
Dealer Management Systems	Integrated suite of features and services to manage the information systems and process workflows involved in running automotive retail operations
Front Office/Vehicle Sales Solutions (1)(2)	Technology tools and services to streamline the entire vehicle inventory, sales, and finance and insurance ("F&I") process
Fixed Operations Solutions (1)(2)	Solutions to manage the parts and service profit center of dealerships including customer targeting appointment scheduling, on-site workflow and billing
Customer Relationship Management Solutions (1)(3)	A system that provides instant access to manage interactions with current and prospective customers
Financial Management Solutions (1)(3)	Value-added capabilities for accounts payable, payments, and payroll
Document Management Solutions (1)(3)	Document creation and archiving solutions to address the complex automotive retail sales process
Network Management Solutions (1)(2)	Wired and wireless network solutions to support dealer connectivity and security efforts
Integrated Telephony Management Solutions (1)(3)	Integrated telephony solutions that allow automotive retailers to connect and communicate via presence, instant messaging, voice, and video
Data Management & Business Intelligence Solutions (1)(2)	Solutions to extract, cleanse, normalize, enhance, and distribute data and to provide actionable insights
Implementation and Training Solutions (3)	Solution delivery and configuration services and development of end user utilization skills and productivity
Customer Support (1)(3)	Full range of support services
Professional Services (1)(2)	Consulting services that provide in-depth analysis and recommendations on optimizing retail operations
Websites (4)	Proprietary internet content delivery platform

(1) Indicates solutions that may be integrated into our DMS.
(2) Indicates solutions that may be implemented as a stand-alone product or solution without the core DMS.
(3) Indicates solutions that require purchase of our DMS.
(4) Websites are not currently offered by our CDK International segment.

Dealer Management Systems

Our DMSs form the core of our retail offerings and generate a substantial portion of our revenues for those businesses. DMSs are enterprise technology solutions that provide an integrated suite of features and services that enable our customers to manage the information systems and process workflows involved in running automotive retail operations. These DMSs facilitate the sale of new and used vehicles, consumer financing, repair and maintenance services, and vehicle and parts inventory management. Additionally, these solutions enable company-wide accounting, financial reporting, cash flow management, and payroll services. Our DMSs are typically integrated with OEM data processing systems that enable automotive retailers to order vehicles and parts, receive vehicle records, process warranties, and check recall campaigns and service bulletins while helping them to fulfill their franchisee responsibilities to their OEM franchisors.

Front Office/Vehicle Sales Solutions

Our full suite of Front Office/Vehicle Sales Solutions helps automotive retailers streamline the vehicle inventory, sales, and F&I process. Our solutions integrate new and used vehicle sales workflows with supporting services to deliver seamless and streamlined retail transactions. Additionally, we provide automotive retailers with tools to help them purchase, stock, and price new and used vehicle inventory. At the conclusion of a retail sales transaction, our majority-owned subsidiary, Computerized Vehicle Registration, Inc. ("CVR"), enables certain of our retailer customers in the U.S. to register sold vehicles

with the appropriate state department of motor vehicles. Our Front Office/Vehicle Sales Solutions are designed to be integrated with the automotive retailer's DMS.

Fixed Operations Solutions

Our Fixed Operations Solutions help automotive retailers create and manage new service sales leads, reduce the effort required to manage those leads, and communicate with their customers through multiple channels (including e-mail, text, voice, mobile, and direct mail). Because vehicle repair and maintenance services are a vital element of our customers' revenue and profit streams, we enable automotive retailers to manage the entire workflow in the parts, and repair and maintenance profit centers. Managing vehicle service activities helps automotive retailers strengthen their relationships with their customers and drive the profitability of a single vehicle sale beyond the original transaction. Our Fixed Operations Solutions work in conjunction with the automotive retailer's DMS.

Customer Relationship Management Solutions

Our Customer Relationship Management ("CRM") Solutions provide automotive retailers the ability to manage leads for vehicle sales, parts, and services while automating business development processes and managing marketing campaigns for current and prospective customers. We enable data warehouse technology to aggregate customer, vehicle, and transaction information in order to provide key performance indicators for the retailer. Our CRM Solutions work in conjunction with the automotive retailer's DMS.

Financial Management Solutions

We deliver true multi-company accounting capabilities in our North American and international DMSs. In addition to the finance and accounting capabilities in our DMSs, we provide value-added Financial Management Solutions for automotive retailers in North America to enable optimized capabilities for accounts payable, payments, and payroll. Our solutions are integrated with most of our DMSs in order to provide a unified user experience.

Document Management Solutions

Document Management Solutions address the needs of complex sales processes that require multiple certifications and contracts across our customers' retail operations. We are a single source to automotive retailers for laser document printing, custom and standard forms development, and scanning, storing, and archiving important automotive retail documents. We also provide electronic contracting and signature capabilities that comply with state and federal guidelines for automobile sales and financing.

Network Management Solutions

We offer a wide variety of wired and wireless network solutions to support retailer connectivity and security efforts. Our Network Management Solutions deliver the connectivity and dependability required for automotive retailers to conduct their operations while helping to protect their information systems from unauthorized access, use, disclosure, and disruption.

Integrated Telephony Management Solutions

We provide Integrated Telephony Solutions that allow automotive retailers to connect and communicate via presence, instant messaging, voice, and video. Our telephony service is a cloud-based solution that can help minimize costs, provide scale to match growing businesses, and deploy applications faster. Our Integrated Telephony Management Solutions are fully integrated with most of our DMSs, Front Office/Vehicle Sales Solutions, Fixed Operations Solutions, and CRM Solutions.

Data Management and Business Intelligence Solutions

We provide an extensive portfolio of solutions that enable automotive retailers, OEMs, and other participants in the automotive retail industry to solve problems associated with the highly fragmented systems and data across the industry. In conjunction with OEM or third-party sponsored programs (and with automotive retailer consent), we use our highly automated capabilities to extract data from various DMSs, which we then cleanse, normalize, and enhance to distribute to public and private franchised automotive retail groups, OEMs, consumer-facing websites, and other industry participants. In addition, we provide data integration capabilities that link disparate industry systems and provide them with the ability to exchange data securely, reliably, and in real time. Many OEMs and other industry participants in North America utilize our data management solutions to process millions of transactions every month. As an extension of our data management capabilities, we also

provide various capabilities in business intelligence, which help us to turn complex data into actionable insights for our customers.

Implementation and Training Solutions

Our Implementation and Training Solutions are designed to deliver and configure technology and to develop and enhance end user utilization skills and productivity. Better technology utilization helps our customers optimize business results faster.

Customer Support

We provide a full range of support services to our customers around the world. In many countries, customers can call a local support specialist or submit an inquiry online, respond to updates using web chat, find answers to hundreds of frequently asked questions, download documentation, and access important resources to help improve employee productivity and increase system utilization.

Professional Services

We provide consulting services to our customers, offering in-depth analysis and recommendations for optimizing automotive retail processes. We help customers increase revenue opportunities, reduce expenses, mitigate risks, and enhance customer sales transaction experiences in all areas of their retail business.

Websites

We offer a highly scalable, proprietary internet content delivery platform that delivers compelling, dynamic, personalized content to consumers on their device of choice in a manner that is coordinated across national, regional, and local entities. This platform provides the automotive retailer with greater flexibility, control, and results from their web presence while providing the OEM or automotive retailer network-wide visibility into marketing performance.

The content platform is offered with a range of value added solutions, such as advanced design customization and merchandising features, visitor personalization, premium search engine optimization, reputation management, and social media marketing. Our customers have the ability to tailor the platform to reflect their brand, marketing, and sales practices. With a wide variety of professional designs, our customers get a website that clearly and effectively communicates their brand and value proposition and differentiates them from the competition. We make it easy to add functionality and drive customer engagement through advanced "drag and drop" design tools, configurable functionality, and hundreds of third-party solutions that enable our customers to continue innovating and managing their digital storefront across desktop, tablet, and smartphone devices.

Website services include development, management and hosting of websites, and related consulting. These revenues are generally based on monthly contractual subscriptions.

Advertising

Customers

Our principal customers in our Advertising business are automotive retailers and OEMs with a particular focus in North America. We provide integrated marketing solutions for OEMs and their retail networks, as well as automotive retail groups. As a result, our customers are concentrated in the 10 OEM brands for which we have OEM endorsements. This network strategy enables us to offer coordinated marketing solutions with higher performance and value to our customers, in turn increasing network penetration and reducing customer churn. Our most significant OEM customer is General Motors.

Services

We provide advertising solutions that allow retailers and OEMs to connect with customers and manage their brands. Our integrated advertising solutions help streamline the consumer's path to our customers' retail locations, linking advertising spend by OEMs, maximizing exposure for the retailers' message, and minimizing competitive distractions by giving buyers the information they need. We also provide search engine optimization services and social media marketing to round out a dealer's advertising footprint. We benefit from an intimate understanding of the modern consumer purchase journey and have deep insights into shopper behavior with what we believe is the industry's most comprehensive suite of advertising and predictive

analytics solutions. As a result, we provide our customers with tangible and quantifiable business results, such as increased brand awareness and additional revenue, and consistently help them to improve their marketing return on investment.

Advertising revenues are based on contracted digital advertising spend levels from both automotive retailers and OEMs.

The following table includes a list and summary description of the solutions we provide as part of our Advertising business.

Solutions	Description
Advertising	Multi-channel advertising delivered through a proprietary advertising technology platform
Business Intelligence	Actionable insights delivered through advanced dashboards that use performance indicators
Marketing Services and Expertise	Advertising strategy consultancy and execution

Advertising

Our Advertising North America segment provides solutions that help automotive retailers and OEMs to more effectively communicate and establish the first point of contact with in-market, prospective car buyers. Our advertising solutions are designed to optimize both (i) direct-response campaigns focused on generating specific consumer vehicle or repair and maintenance purchases or responses and (ii) brand campaigns geared towards lifting brand metrics. We conduct market research regularly to identify trends in the marketplace and understand shifting buyer preferences, which we translate into powerful insights for our customers. Our complete solution begins with an advertising service that allows our customers to amplify their brand awareness and manage online marketing campaigns. These multi-channel advertising packages can consist of a variety of media, such as paid search, display advertising, display re-marketing, mobile content, and campaign landing pages, among others.

Underlying these advertising services is a proprietary advertising technology platform designed for the unique structure of the automotive retail industry that dynamically adjusts content, spend, and bidding across multiple marketing channels to optimize retail sales outcomes. As one of the largest purchasers of automotive retail advertising inventory, we leverage our relationships with premium content providers, shopping destinations, and advertising channels, such as Amazon, Edmunds, Google, and Yahoo, to optimize both reach and value for our customers.

Business Intelligence

Our Advertising North America segment employs business intelligence and data science professionals to develop insights and report on results from our proprietary data warehouse. These insights are delivered to our customers through advanced dashboards that use performance indicators that we believe are better correlated with sales outcomes than current standard industry practice. These insights are also used to develop models for our website and advertising execution, which optimize advertising return on investment for all of our customers. Additionally, we develop proprietary analytic models with high predictive value to inform our OEM customers of opportunities to improve their future business performance.

Marketing Services and Expertise

We provide advertising strategy consultancy and execution for our advertising customers through marketing professionals who proactively engage our retailer customers, complementing their organizations with cost-effective outsourced digital marketing expertise from merchandising, and promotion through brand strategy. These services are both contracted by OEMs on behalf of their retailer networks and by retailers to supplement their internal resources and are an important contributor to customer satisfaction and retention.

Product Development

Our ability to bring new solutions to market and to develop or acquire the data and technology that enables these solutions is important to our continued success. In fiscal 2016, 2015, and 2014, we spent $161.0 million, $170.1 million, and $165.7 million, respectively, to research, develop, and deploy new and enhanced solutions for our customers. Our research and development function is centrally managed to increase collaboration and deploy critical capabilities globally to leverage scale.

Sales and Marketing

Our sales and marketing functions are managed and organized to provide local agility and expertise. We organize, locate, and manage our sales professionals in discrete territories in our targeted geographies. Our sales teams focus specifically on OEM and dealer relationships.

- *OEM Relationships*—we have a team of professionals assigned to establish relationships with automotive OEMs, sell our solutions, and manage our relationships beyond the initial sale, with targets for account performance and satisfaction.

- *Public Franchised Automotive Retail Groups, Private Franchised Automotive Retail Groups, Private Single-Location Automotive Retailers, OEM Company-Owned Retail Locations, and Independent Used Car Retailers*—we target these automotive retailers through our sales force and marketing programs to drive demand generation and ensure retention. We operate this way in North America and internationally.

Our sales strategy leverages our existing customer relationships to enable us to offer additional solutions that help make our customers more competitive.

Though our business is not highly cyclical, it is seasonal. Our revenues experience volatility around seasonal consumer vehicle shopping activity. We address this seasonality in sales by establishing annual quotas for each of our sales professionals. While this volatility is experienced throughout the industry, it is amplified in our Advertising business where advertising spend may vary significantly throughout the year given the increasing importance to OEMs and automotive retailers of capturing buyer attention during certain seasonal periods and major events such as the launch of a new vehicle model.

Our marketing group structure is built to provide insight into development of products, communication, and branding to ensure we grow brand equity and competitive positioning in the market. This group focuses on market research and analysis, developing new sales opportunities through a range of marketing communications including campaigns and trade exhibitions, and the positioning and branding of our solutions in the markets that we serve.

Competition

Our industry is highly competitive and fragmented. We compete with a broad and diverse range of information, technology, services, and consulting companies, as well as with the in-house capabilities of OEMs. Our competitors range from local providers to regional and global competitors. However, we believe that no competitor provides the same combination of geographical reach and breadth of solutions that we do.

In our Retail Solutions businesses, our competitors vary by capabilities within the automotive retail value chain. They include:

- DMS providers, including Reynolds and Reynolds, Dealertrack (Cox Automotive), Auto/Mate, AutoSoft, and various local and regional providers globally;

- sales, marketing inventory, and F&I software and service providers, including Dealertrack (Cox Automotive), First Look, Market Scan Information Systems, StoneEagle Group, vAuto (Cox Automotive), VinSolutions (Cox Automotive), and various local and regional providers globally;

- providers of vehicle electronic registration solutions that compete with CVR, including ELS, MVSC, TitleTec, and triVIN (Cox Automotive); and

- providers of web-based automotive finance credit applications and eContracting processors that compete with our Open Dealer Exchange joint venture with Reynolds and Reynolds, including Dealertrack (Cox Automotive) and RouteOne.

The most significant competitive factors that we face in our Retail Solutions businesses are price, brand, breadth of features and functionality, scalability, and service capability.

The primary competitors of our advertising and website solutions for OEM network endorsements are Dealer.com (Cox Automotive), AutoTrader.com (Cox Automotive), Dominion Enterprises, and Naked Lime (Reynolds and Reynolds). Several hundred specialty vendors and agencies offer website, digital marketing, and third-party applications that can be alternatives to our services with individual automotive retailers and groups. We also compete with traditional marketing channels, such as print, radio, and television, for a share of the automotive retailer's marketing budget. The most significant competitive factors that we face are brand, breadth of features and functionality, scalability, and service capability.

Regulation

The automotive retail industry is highly regulated and automotive retailers and OEMs are subject to a broad array of complex regulations governing virtually every aspect of their operations. Our customers must ensure their compliance with their regulatory requirements, and, in turn, we must ensure that our solutions effectively address their regulatory compliance needs.

Privacy and Data Security Laws

We are subject to a number of federal, state, and foreign laws and regulations regarding data governance and the privacy and protection of personal data. For example, under the Gramm-Leach-Bliley Act (the "GLB Act"), automotive retailers are generally deemed to be regulated financial institutions and therefore are subject to the GLB Act and applicable regulations, including the Federal Trade Commission's ("FTC") Privacy Rule and Safeguards Rule. In our capacity as a service provider to automotive retailers, we generally commit to our customers that we will process and use non-public personal information, such as information regarding their customers that we process in their DMS, consistent with the GLB Act and the related regulations. Similarly, many U.S. states and foreign jurisdictions have adopted regulations that require notification to individuals of a security breach relating to their sensitive personal data or that mandate minimum security standards with respect to the handling and transmission of such data. For a discussion of privacy and data security regulation and the potential impacts on our business, see "Risk Factors—Risks Relating to Our Business—Changes in regulations or consumer concerns regarding privacy and protection of consumer data, or any failure to comply with privacy and data protection obligations, could negatively impact our business, results of operations, and financial condition."

Regulation

Because our business delivers solutions across a broad spectrum of automotive retailer operations, our activities are impacted by a wide variety of federal, state, local, and international laws and regulations. Central to the value of our Document Management Solutions, for example, is that the forms we provide for our customers meet the requirements of their applicable laws. Likewise, within our Front Office Solutions, our CVR service is dependent on our compliance with complex and detailed regulatory requirements. Across our portfolio of automotive retail solutions, we are focused on ensuring that we meet our regulatory compliance obligations and that our solutions enable our customers to comply with the laws and regulations applicable to them. See "Risk Factors—Risks Relating to Our Business—We are directly and indirectly subject to, and impacted by, extensive and complex regulation in the U.S. and abroad, and new regulations and/or changes to existing regulations may negatively impact our business, results of operations, and financial condition," for additional information regarding the application and impact of laws and regulations on our operations.

Our customers must comply with an array of state and local laws specific to the advertising of automobiles, finance and insurance, and related services. The advertising of automobile financing in the U.S. is generally subject to the federal Truth in Lending Act and attendant regulations, while the advertising of consumer automobile leases is subject to similar regulations under the Consumer Leasing Act and enabling regulations. In each case, the regulations prescribe the information, such as payment amount, payment period, term, and interest rate, to be disclosed to a consumer in connection with the advertising of vehicle financing or a vehicle lease. Similarly, state and local laws establish requirements with respect to the advertising of vehicles and vehicle attributes, from the required elements of pricing information to the presentation of fuel efficiency data.

Some of our solutions include email marketing as a component, which is governed by a variety of U.S. federal, state, and foreign laws and regulations. In the U.S., for example, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act") establishes requirements, such as mandatory opt-out mechanisms, for the distribution of "commercial" email messages for the primary purpose of advertising or promoting commercial products or services and provides for criminal and civil penalties for failure to comply. Individual states as well as some foreign jurisdictions, such as Australia, Canada, and the European Union, have also enacted laws that regulate sending commercial email, some of which are more restrictive than the CAN-SPAM Act.

As with the majority of our solutions, the compliance obligation lies with our customers and, in purchasing our solutions, our customers agree to use our services in compliance with applicable laws. Nonetheless, we strive to ensure that our solutions enable our customers to achieve and maintain that compliance.

Employees

As of June 30, 2016, we had a total of approximately 8,700 full-time employees worldwide. None of our employees is represented by a collective bargaining agreement. We believe that relations with our employees are good.

Available Information

We electronically file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, and proxy statements, with the Securities Exchange Commission ("SEC"). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, or you may obtain information by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet address at http://www.sec.gov that contains reports, proxy statements and information statements, and other information, which you may obtain free of charge. In addition, our corporate website, www.cdkglobal.com, provides materials for investors, information about our services and copies of our filings with the SEC. Access to these filings is free of charge. The content on any website referenced in this filing is not incorporated by reference into this filing unless expressly noted.

Item 1A. Risk Factors

You should carefully consider each of the following risks and all of the other information set forth in this Annual Report on Form 10-K. Based on information currently known to us, we believe that the following information identifies the material risk factors affecting our Company in each of the noted risk categories: (i) Risks Relating to Our Business; (ii) Risks Relating to Our Spin-Off from ADP; and (iii) Risks Relating to Our Common Stock.

Risks Relating to Our Business

We may not be able to continue to compete effectively against other providers of integrated solutions to automotive retailers, OEMs, and other participants in the automotive retail industry.

Competition among automotive retail solutions and advertising solutions providers is intense. The industry is highly fragmented and subject to changing technology, shifting customer needs, and frequent introductions of new solutions. We have a variety of competitors both for our integrated solutions and for each of our individual solutions. For example:

- our automotive retail solutions compete with integrated providers of automotive retailing technology solutions, such as Reynolds and Reynolds Company, Cox Automotive (DealerTrak, Autotrader.com, and others), RouteOne LLC, and Dominion Enterprises; and

- our advertising and website solutions compete with integrated providers of automotive digital marketing/advertising solutions, such as Cox Automotive, Dominion Enterprises, and Reynolds and Reynolds Company.

Our competitors may be able to respond more quickly or effectively to new or emerging technologies and changes in customer demands or to devote greater resources to the development, promotion, and sale of their solutions than we can to ours. We expect the industry to continue to attract new competitors and new technologies, possibly involving alternative technologies that are more sophisticated and cost-effective than our solutions. There can be no assurance that we will be able to compete successfully against current or future competitors or that the competitive pressures we face will not have a material adverse effect on our business, results of operations, and financial condition.

Market trends influencing the automotive retail industry could have a negative impact on our business, results of operations, and financial condition.

Market trends that negatively impact the automotive retail industry may affect our business by reducing the number and/or size of actual or potential customers or the money that actual or potential customers are willing or able to spend on our solution portfolio. Such market factors include:

- the adverse effect of long-term wage stagnation on the purchasing power of vehicle purchasers and the number of vehicle purchasers;

- pricing and purchase incentives for vehicles;

- disruption in the available inventory of vehicles;

- disruption in the retail automobile dealership model;

- the expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties and the development of shared-use mobility;

- the cost of gasoline and other forms of energy;

- the availability and cost of credit to finance the purchase of vehicles;

- increased federal and other taxation; and

- reductions in business and consumer confidence.

Additionally, due to the economic downturn, there was a substantial decline in 2009 and 2010 in the number of franchised automotive retailer locations in countries where the retail automotive marketplace is considered "mature," most

notably in North America and Western Europe. Although these declines have stabilized a further reduction in the number of automotive retailer locations would reduce the number of opportunities we have to sell our solutions. Any such outcome could have a material adverse effect on our business, results of operations, and financial condition.

Market acceptance of and influence over our products and services, particularly of our advertising and website solutions, is concentrated in a limited number of automobile OEMs and consolidated retailer groups, and we may not be able to maintain or grow these relationships.

Although the automotive retail industry is fragmented, a relatively small number of OEMs, consolidated retailer groups and retailer associations exert significant influence over the market acceptance of automotive retail products and services due to their concentrated purchasing activity, their endorsement or recommendation of specific products and services and/or their ability to define technical standards and certifications. For example, our DMSs are certified to technical standards established by OEMs and certain of our products and services are provided pursuant to OEM-designated endorsement or preferred vendor programs. While automotive retailers are generally free to purchase the solutions of their choosing, when an OEM has endorsed or certified a provider of products or services to its associated franchised automotive retailers and if our solutions lack such certification or endorsement, adoption or retention of our products and services among the franchised dealers of such OEM could be materially impaired.

Some of our products, such as our advertising and website solutions, are primarily sold to or through OEMs and depend on us maintaining strong relationships with those OEMs. Our advertising and website solutions are primarily marketed and delivered through programs sponsored or endorsed by OEMs, the most significant of which is General Motors. We generated approximately 11% of our consolidated revenues from General Motors during the fiscal year ended June 30, 2016, and as of June 30, 2016, General Motors accounted for 17% of our accounts receivable. OEM switching costs for advertising and website solutions are generally low and our agreements with such customers generally may be terminated by each OEM on short notice or without cause, do not automatically renew upon expiration and have no minimum volume or payment requirements. In addition, if renewed, such agreements may shift from exclusive to multi-vendor relationships. The termination, or renewal on less beneficial terms, of one or more of these relationships, changes in our customers' advertising budget allocations or marketing strategies, or a change in the economy could result in a decline in the level of advertising and website services that they purchase from us, which in turn could have a material adverse effect on our business, results of operations, and financial condition.

We may be unable to develop and bring products and services in development to market, or bring new products and services to market in a timely manner or at all.

Our success depends in part upon our ability to bring to market new products and services, and enhancements thereto that address evolving customer demands. For example, our advertising and website solutions must effectively address the market shift to mobile technology. The time, expense, and effort associated with developing and offering new and enhanced products and services may be greater than anticipated. The length of the development cycle varies depending on the nature and complexity of the product, the availability of development, product management, and other internal resources and the role, if any, of strategic partners. If we are unable to develop and bring to market additional products and services, and enhancements thereto, in a timely manner, or at all, we could lose market share to competitors who are able to offer these new products and services, which could have a material adverse effect on our business, results of operations, and financial condition.

Our failure or inability to execute any element of our business strategy, including our business transformation plan, could negatively impact our business, results of operations, or financial condition.

Our business, results of operations, and financial condition depend on our ability to execute our business strategy, which includes the following key elements:

- executing on our business transformation plan;
- deepening relationships with our existing customer base;
- continuing to expand our customer base;
- strengthening and extending our solutions portfolio;
- driving additional operational efficiency; and

- selectively pursuing strategic acquisitions.

We may not succeed in implementing a portion or all of our business strategy, and even if we do succeed, our strategy may not have the favorable impact on our business, results of operations, or financial condition that we anticipate. We may not be able to effectively manage the expansion of our business or achieve the rapid execution necessary to fully avail ourselves of the market opportunity for our solution portfolio. If we are unable to adequately implement our business strategy, our business, results of operations, and financial condition could suffer a material adverse effect.

We may experience difficulties, delays, or unexpected costs and not achieve anticipated benefits and savings from our business transformation plan.

During fiscal 2015, we initiated a business transformation plan as described herein under the caption, "Business Transformation Plan" under Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations." We may not realize, in full or in part, the anticipated benefits and savings from the business transformation plan due to unforeseen difficulties, delays, or unexpected costs, which may adversely affect our business and results of operations, and even if the anticipated benefits and savings are substantially realized, there may be consequences or business impacts that were not expected.

We are dependent on our key management, direct sales force, and technical personnel for continued success.

Our global senior management team is concentrated in a small number of key members, and our future success depends to a meaningful extent on the services of our executive officers and other key team members, including members of our direct sales force and technology staff. Generally, our executive officers and employees can terminate their employment relationship at any time. The loss of any key employees or our inability to attract or retain other qualified personnel could materially harm our business and prospects.

Effective succession planning is important to our long-term success. On March 8, 2016, Steven J. Anenen resigned as Chief Executive Officer consistent with the transition plan previously announced by us on December 11, 2015 and the Transition and Release Agreement by and between the Company and Mr. Anenen, entered into as of February 2, 2016. Brian P. MacDonald was appointed Chief Executive Officer effective March 8, 2016. Mr. MacDonald has been the Company's President since January 1, 2016. Additionally, we completed the reorganization of our business structure on July 1, 2016, as part of our ongoing business transformation plan, which resulted in a number of additional leadership changes. Disruptions in the transition or reorganization could have a material adverse effect on our business, results of operations, and financial condition and could adversely affect our ability to attract and retain other key executives.

Competition for qualified leadership and technical personnel in the technology industry is intense, and we compete for leadership and technical personnel with other technology companies that have greater financial and other resources than we do. Our future success will depend in large part on our ability to attract, retain, and motivate highly qualified leadership and technical personnel, and there can be no assurance that we are able to do so. Any difficulty in hiring or retaining needed personnel, or increased costs related thereto, could have a material adverse effect on our business, results of operations, and financial condition.

Real or perceived errors or failures in our software and systems could negatively impact our results of operations and growth prospects.

We depend upon the sustained and uninterrupted performance of numerous proprietary and third-party technologies to deliver our solution portfolio. If one or more of those technologies cannot scale to meet demand, or if there are errors in our execution of any feature or functionality using any such technologies, then our business may be harmed. Because our software is often complex, undetected errors and failures may occur, especially when new versions or updates are made. Despite testing by us, errors or bugs in our solutions may not be found until the software or service is in active use by us or our customers. Moreover, our customers could incorrectly implement or inadvertently misuse our solutions, which could result in customer dissatisfaction and adversely impact the perceived utility of our solutions as well as our brand. Any of these real or perceived errors, failures, or bugs could result in negative publicity, reputational harm, loss of or delay in market acceptance of our solutions, loss of competitive position or claims by customers for losses sustained by them, all of which, along with the costs of responding to such effects, may have a material adverse effect on our business, results of operations, and financial condition.

Our systems may be subject to security breaches.

We transmit substantial amounts of confidential information, including personal information of consumers, over the

internet. Our success depends on the confidence of OEMs, dealers, lenders, major credit reporting agencies and other data providers, and other users of (or participants in) our solutions in our ability to store, process, and transmit this confidential information securely (whether over the internet or otherwise), and to operate our computer systems and operations without significant disruption or failure. These computer systems periodically experience directed attacks intended to lead to interruptions and delays in our service and operations as well as loss, misuse, or theft of data. While security measures are in place, concerns over the security of third-party data that we store, process, and transmit, which may be heightened by any well-publicized compromise of security, may deter customers from using our solution portfolio and/or deter vendors from providing their solutions to us. Moreover, if our security measures are materially breached and unauthorized access is obtained to confidential information, our solutions may be perceived as not being secure and our customers may curtail or stop using our solutions and/or vendors may curtail or stop providing their solutions to us. Any failure of, or lack of confidence in, the security of our solutions could have a material adverse effect on our business, results of operations, and financial condition. Despite our focus on data security, we may not be able to stop unauthorized attempts to gain access to data that we store and process, or to stop disruptions in the transmission or provision of data and communications or other data by us. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could result in a compromise or breach of the controls used by our solutions to protect data contained in our, our customers' and/or our vendors' databases and the information being stored, transferred, or processed. While warranties and liabilities are limited to data and system security in our customer and vendor contracts, they or other third parties may seek to hold us liable for any losses suffered as a result of unauthorized access to their confidential information or non-public personal information of consumers. In addition, while effort has been expanded to have insurance to cover these losses, we may be required to expend significant capital and other resources to protect against security breaches, and/or to alleviate any problems caused by actual or threatened security breaches. Our security measures may not be sufficient to prevent security breaches, and any failure to prevent security breaches and/or to adequately alleviate any problems caused by security breaches could have a material adverse effect on our business, results of operations, and financial condition.

Our networks, systems, and infrastructure may be vulnerable to interruptions or failure.

From time to time, we have experienced, and may experience in the future, network or system slowdowns and interruptions. These network and system slowdowns and interruptions may interfere with our ability to do business. While the appropriate upgrades to various systems, shoring up backup processes and other measures to protect against data loss and system failures have been implemented and tested, there is still risk that we may lose critical data or experience network failures.

Despite the resiliency plans and facilities we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses. This may include a disruption involving electrical, satellite, undersea cable or other communications, internet, transportation or other services facilities used by us or third parties with which we conduct business. These disruptions may occur as a result of events that affect only our buildings or systems or those of such third parties, or as a result of events with a broader impact globally, regionally or in the cities where those buildings or systems are located, including, but not limited, to natural disasters, war, civil unrest, economic or political developments, pandemics, and weather events.

Such network, system or infrastructure failures or disruptions may result in lost revenue opportunities for our customers, which could result in litigation against us or a loss of customers. Additionally, we have service level agreements with certain of our customers that may result in penalties or trigger cancellation rights in the event of a network or system slowdown or interruption. Any of these could have a material adverse effect on our business, results of operations, and financial condition.

Changes in regulations or consumer concerns regarding privacy and protection of consumer data, or any failure to comply with privacy and data protection obligations, could negatively impact our business, results of operations, and financial condition.

Federal laws and regulations governing privacy and security of consumer information generally apply to our customers and/or to us as a service provider. These include, but are not limited to, the federal Fair Credit Reporting Act, the GLB Act and regulations implementing its information safeguarding requirements, the Junk Fax Prevention Act of 2005, the CAN-SPAM Act, the Telephone Consumer Protection Act, the Do-Not-Call-Implementation Act, applicable Federal Communications Commission (the "FCC") telemarketing rules, and the FTC Privacy Rule, Safeguards Rule, Consumer Report Information Disposal Rule, Telemarketing Sales Rule, Risk-Based Pricing Rule, and Red Flags Rule. Laws of foreign jurisdictions, such as the European Union's ("EU") Data Protection Directive, and the country-specific regulations that implement that directive, similarly apply to our collection, processing, storage, use, and transmission of protected data.

In addition, many U.S. and foreign jurisdictions have passed, or are currently contemplating, a variety of consumer protection, privacy, and data security laws and regulations that may relate to our business. For example, on April 14, 2016, the European Parliament formally adopted the General Data Protection Regulation (the "GDPR"), which will supersede the existing Data Protection Directive of 95/46/EC in 2018. The GDPR imposes more stringent operational requirements for entities processing personal information and greater penalties for noncompliance. We may need to make adjustments to our operations in Europe to comply with new requirements contained in the GDPR or to address client concerns related to the GDPR, and any such measure may result in costs and expenses, and any failure to meet the requirements of the GDPR may result in significant fines, penalties, or other liabilities. In the U.S., some state legislatures and regulatory agencies have imposed, and others may impose, greater restrictions on the disclosure of the data we collect, use or transmit than are already contained in federal laws such as the GLB Act and its implementing regulations or the FTC rules described above. Similarly, it is possible that in the future, U.S. and foreign jurisdictions may adopt legislation or regulations that impair our ability to effectively track consumers' use of our advertising services, such as the FTC's proposed "Do-Not-Track" standard or other legislation or regulations similar to EU Directive 2009/136/EC, commonly referred to as the "Cookie Directive," which directs EU member states to ensure that accessing information on an internet user's computer, such as through a cookie, is allowed only if the internet user has given his or her consent.

The costs and other burdens of compliance with privacy and data security laws and regulations could negatively impact the use and adoption of our solutions and reduce overall demand for them. Additionally, concerns regarding data privacy may cause our customers, or their customers and potential customers, to resist providing the data necessary to allow us to deliver our solutions effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our solutions and any failure to comply with such laws and regulations could lead to significant fines, penalties or other liabilities. Any such decrease in demand or incurred fines, penalties or other liabilities could have a material adverse effect on our business, results of operations, and financial condition.

We are directly and indirectly subject to, and impacted by, extensive and complex regulation in the U.S. and abroad, and new regulations and/or changes to existing regulations may negatively impact our business, results of operations, and financial condition.

Our business is directly and indirectly subject to, and impacted by, numerous U.S. and foreign laws and regulations covering a wide variety of subject matters. Compliance with complex foreign and U.S. laws and regulations that apply to our operations increases our costs and may impede our competitiveness. In addition, failure to comply with such laws or regulations may result in the suspension or termination of our ability to do business in applicable jurisdictions or the imposition of civil and criminal penalties, including fines or exposure to civil litigation.

In addition to the data privacy and security laws and regulations mentioned above, our business is also directly or indirectly governed by domestic and international laws and regulations relating to issues such as telecommunications, antitrust or competition, employment, vehicle registration, advertising, taxation, consumer protection, and accessibility. We must also comply with anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and local laws prohibiting corrupt payments to governmental officials and private entities, such as the United Kingdom's ("U.K.") Anti-Bribery Act. The application of this framework of laws and regulations to our business is complex and, in many instances, is unclear or unsettled, which in turn increases our cost of doing business, may interfere with our ability to offer our solutions competitively in one or more jurisdictions and may expose us and our employees to potential fines, penalties or other enforcement actions. In some cases, our customers may seek to impose additional requirements on our business in efforts to comply with their interpretation of their own or our legal obligations. These requirements may differ significantly from our existing solutions or processes and may require engineering and other costly resources to accommodate.

Our failure to comply, or to provide solutions that allow our customers to comply, with any of the foregoing laws and regulations could have a material adverse effect on our business, results of operations, and financial condition.

New legislation or changes in existing legislation regarding the internet may negatively impact our business.

Our ability to conduct, and our cost of conducting, our business may be negatively impacted by a number of legislative and regulatory proposals concerning various aspects of the internet, which are currently under consideration by federal, state, local, and foreign governments, administrative agencies such as the FTC, Consumer Financial Protection Bureau and the FCC, and various courts. These proposals include regulation of the following matters, among others: on-line content, user privacy, taxation, access charges and so-called "net-neutrality" liability of third-party activities and jurisdiction. Moreover, we do not know how existing laws relating to these or other issues will be applied to the internet. The adoption of new laws or the application of existing laws could decrease the growth in the use of the internet, which could in turn decrease the demand for

our solutions that are provided via the internet, increase our costs of doing business or otherwise have a material adverse effect on our business, results of operations, and financial condition.

Our business operations may be harmed by events beyond our control.

Our business operations are vulnerable to damage or interruption from natural disasters, such as fires, floods and hurricanes, or from power outages, telecommunications failures, terrorist attacks, computer network service outages and disruptions, "denial of service" attacks, computer malware, break-ins, sabotage, and other similar events beyond our control. For example, the majority of our North American research and development activities, and the research and development and operations activities of our advertising business, are located near significant seismic faults in the Portland, Oregon and Seattle, Washington areas, respectively. The occurrence of any such event at any of our facilities or at any third-party facility utilized by us or our third-party providers could cause interruptions or delays in our business, loss of data, or could render us unable to provide our solution portfolio. In addition, any failure of a third-party to provide the data, products, services, or facilities required by us, as a result of human error, bankruptcy, natural disaster, or other operational disruption, could cause interruptions to our computer systems and operations. The occurrence of any of these events could have a material adverse effect on our business, results of operations, and financial condition.

We utilize certain key technologies, data, and services from, and integrate certain of our solutions with, third parties and may be unable to replace those technologies, data, and services if they become obsolete, unavailable, or incompatible with our solutions.

We utilize certain key technologies and data from, and/or integrate certain of our solutions with, hardware, software, services, and data of third parties, including Chrome Systems, TrueCar, Microsoft, Google, Yahoo, EMC, Cisco Systems, Kyocera, Experian, Equifax, TransUnion and others. Some of these vendors are also our competitors in various respects. These third-party vendors could, in the future, seek to charge us cost-prohibitive fees for such use or integration or may design or utilize their solutions in a manner that makes it more difficult for us to continue to utilize their solutions, or integrate their technologies with our solutions, in the same manner or at all. Any significant interruption in the supply or maintenance of such third-party hardware, software, services, or data could negatively impact our ability to offer our solutions unless and until we replace the functionality provided by this third-party hardware, software, and/or data. In addition, we are dependent upon these third parties' ability to enhance their current products, develop new products on a timely and cost-effective basis, and respond to emerging industry standards and other technological changes. There can be no assurance that we would be able to replace the functionality or data provided by third-party vendors in the event that such technologies or data becomes obsolete or incompatible with future versions of our solutions or are otherwise not adequately maintained or updated. Any delay in or inability to replace any such functionality could have a material adverse effect on our business, results of operations, and financial condition. Furthermore, delays in the release of new and upgraded versions of third-party software applications could have a material adverse effect on our business, results of operations, and financial condition.

We have customers in over 100 countries, where we are subject to country-specific risks that could negatively impact our business, results of operations, and financial condition.

During the fiscal year ended June 30, 2016, we generated 19% of our revenues outside of the U.S., and we expect revenues from other countries to continue to represent a significant part of our total revenues in the future, and such revenues are likely to increase as a result of our efforts to expand our business in non-U.S. markets. Business and operations in individual countries are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, currency exchange controls, repatriation of earnings (as described below) and environmental, and employment laws. For example, the referendum vote held in the U.K. on June 23, 2016 resulted in a determination that the U.K. should exit the EU. Our results are subject to the uncertainties and instability in economic and market conditions caused by such vote, including uncertainty regarding the U.K.'s access to the EU Single Market and the wider trading, legal, regulatory, and labor environments, especially in the U.K. and EU. Our results are also subject to the difficulties of coordinating our activities across the countries in which we are active. In addition, our operations in each country are vulnerable to changes in local socio-economic conditions and monetary and fiscal policies, currency exchange rates, intellectual property protection disputes, the settlement of legal disputes through foreign legal systems, the collection of receivables through foreign legal systems, exposure to possible expropriation or other governmental actions, product preference and product requirements, difficulty to effectively establish and expand our business and operations in such markets, unsettled political conditions, possible terrorist attacks, acts of war, natural disasters, and pandemic disease. These and other factors relating to our international operations may have a material adverse effect on our business, results of operations, and financial condition.

Under the U.S. tax code, we may also be subject to additional taxation to the extent we repatriate earnings from our foreign operations to the U.S. In the event we require more capital in the U.S. than is generated by our U.S. operations to fund

acquisitions or other activities and elect to repatriate earnings from foreign jurisdictions, our effective tax rate may be higher as a result.

Our indebtedness could negatively impact our ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy or our industry.

In connection with our spin-off from ADP, we entered into certain debt financing arrangements. We borrowed $250.0 million under a term loan facility that will mature on September 16, 2019; we entered into a $300.0 million revolving credit facility, which was undrawn as of June 30, 2016; and we completed an offering of 3.30% senior notes with a $250.0 million aggregate principal amount due in October 2019 and 4.50% senior notes with a $500.0 million aggregate principal amount due in October 2024. In fiscal 2016, we borrowed an additional $250.0 million under a term loan facility that will mature on December 14, 2020. Our indebtedness could have important consequences, including the following:

- the ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions, or other purposes may be impaired or the financing may not be available on favorable terms, or at all;
- any failure to comply with the obligations of any of our debt instruments could result in an event of default under the agreements governing such indebtedness;
- a portion of cash flows will be required to make payment of principal of, and interest on, our indebtedness, reducing the funds that would otherwise be available for operations, future business opportunities, and potential dividends to our stockholders;
- our indebtedness will make us more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our indebtedness may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If operating results are not sufficient to service our current or future indebtedness, we may be forced to take actions such as reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing debt, reducing or discontinuing dividends we may pay in the future, or seeking additional equity capital. These actions may not be effected on satisfactory terms, or at all.

Our indebtedness and debt service obligations will effectively reduce the amount of funds available for other business purposes and may adversely affect us.

Costs related to the notes are substantial, and our level of indebtedness, including any future borrowings under our revolving credit facility, could reduce funds available for acquisitions, capital expenditures or other business purposes, impact our credit ratings, restrict our financial and operating flexibility, or create competitive disadvantages compared to other companies with lower debt levels. Further, increased indebtedness could make it more difficult for us to satisfy our obligations with respect to our debt, increase our vulnerability to adverse economic or industry conditions and limit our ability to obtain additional financing.

Our business, results of operations, and financial condition could be harmed by negative rating actions by credit rating agencies.

Our debt has an investment grade rating. If our initial rating is downgraded or if ratings agencies indicate that a downgrade may occur, our business, results of operations, and financial condition could be negatively impacted and perceptions of our financial strength could be damaged. Any of these outcomes could also negatively impact our relationships with our customers, increase our costs of borrowing, or otherwise have a material adverse effect on our business, results of operations, and financial condition.

Our revenue, operating results, and profitability vary from quarter to quarter, which may result in volatility in our stock price.

Our revenue, operating results, and profitability have varied in the past and are likely to continue to vary significantly from quarter to quarter, which may lead to volatility in our stock price. These variations are due to several factors, including:

- our ability to timely and effectively implement our business transformation plan;
- the timing, size, and nature of our customer revenues (particularly with respect to our advertising business) and any losses with respect thereto;
- product and price competition regarding our products and services;
- the timing of introduction and market acceptance of new products, services or product enhancements by us, or our competitors;
- changes in our operating expenses;
- foreign currency fluctuations;
- the timing of acquisitions or divestitures of businesses, products, and services;
- the seasonality of car sales;
- personnel changes; and
- fluctuations in economic and financial market conditions.

If our long-lived assets and goodwill become impaired, we may be required to record a significant non-cash charge to earnings, which would negatively impact our results of operations.

Under generally accepted accounting principles in the United States ("GAAP"), we review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset group. Estimates of future cash flows are based on a long-term financial outlook of our operations. Actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates and the recorded value of long-lived assets.

Goodwill is not amortized, but is instead tested for impairment annually and whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may impact our annual impairment test or constitute changes in circumstances indicating that the carrying value of our goodwill may not be recoverable include declines in our stock price, market capitalization, cash flow expectations, or slower growth rates in our industry. Estimates of future cash flows are based on the long-term financial outlook of our operations.

We will continue to monitor and evaluate the carrying value of our long-lived assets and goodwill. In the event we have to recognize an impairment, any such impairment charge could have a material adverse effect on our results of operations.

We may be unable to adequately protect, and we may incur significant costs in defending, our intellectual property and other proprietary rights.

Our success depends, in large part, on our ability to protect our intellectual property and other proprietary rights. We rely upon a combination of trademark, trade secret, copyright, patent and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring certain of our team members and consultants to enter into confidentiality, non-competition and assignment of inventions agreements. To the extent that our intellectual property and other proprietary rights are not adequately protected, third parties might gain access to our proprietary information, develop and market products and services similar to ours or use trademarks similar to ours. Existing U.S. federal and state intellectual property laws offer only limited protection. Moreover, the laws of some foreign countries in which we market our products and services afford little or no effective protection of our intellectual property. If we resort to legal proceedings to enforce our

intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could be burdensome and expensive, and we may not prevail. The failure to adequately protect our intellectual property and other proprietary rights, or manage costs associated with enforcing those rights, could have a material adverse effect on our business, results of operations, and financial condition.

Claims that we or our technologies infringe upon the intellectual property or other proprietary rights of a third party may require us to incur significant costs, enter into royalty or licensing agreements, or develop or license substitute technology.

We have in the past and may in the future be subject to claims that our technologies in our products and services infringe upon the intellectual property or other proprietary rights of a third party. In addition, the vendors providing us with technology that we use in our own technology could become subject to similar infringement claims. Although we believe that our products and services do not infringe any intellectual property or other proprietary rights, we cannot assure you that our products and services do not, or that they will not in the future, infringe intellectual property or other proprietary rights held by others. Any claims of infringement could cause us to incur substantial costs defending against the claim, even if the claim is without merit, and could distract our management from our business. Moreover, any settlement or adverse judgment resulting from the claim could require us to pay substantial amounts, obtain a license to continue to use the products and services that are the subject of the claim, and/or otherwise restrict or prohibit our use of the technology. There can be no assurance that we would be able to obtain a license on commercially reasonable terms, or at all, from the third party asserting any particular claim, that we would be able to successfully develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license from another provider of suitable alternative technology to permit us to continue offering, and our customers to continue using, the products and services. In addition, we generally provide in our customer agreements for certain products and services that we will indemnify our customers against third-party infringement claims relating to technology that we provide to those customers, which could obligate us to pay damages if the products and services were ever found to be infringing. Infringement claims asserted against us, our vendors, or our customers could have a material adverse effect on our business, results of operations, and financial condition.

We have made strategic acquisitions and formed strategic alliances in the past and expect to do so in the future. If we are unable to find suitable acquisitions or alliance partners that strengthen our value proposition to customers or to achieve the expected benefits from such acquisitions or alliances, there could be a material adverse effect on our business, results of operations, and financial condition.

Since 2000, we have completed 33 acquisitions. These have ranged from acquisitions of small start-up companies that provide a discrete application to a handful of customers, to acquisitions of substantial companies with more mature solutions and a larger customer base, such as our acquisition of Kerridge in 2005, which facilitated our international expansion, and our acquisition of Cobalt in 2010, which is the foundation of our advertising business. As part of our ongoing business strategy to expand solutions offerings, acquire new technologies, and strengthen our value proposition to customers, we frequently engage in discussions with third parties regarding, and enter into agreements relating to, possible acquisitions, strategic alliances, and joint ventures. However, there may be significant competition for acquisition, alliance, and joint venture targets in our industry, or we may not be able to identify suitable candidates or negotiate attractive terms for such transactions in the future.

Even if we are able to complete acquisitions or enter into alliances and joint ventures that we believe will provide attractive growth opportunities, such transactions are inherently risky. Significant risks from these transactions include risks relating to:

- integration and restructuring costs, both one-time and ongoing;
- developing and maintaining sufficient controls, policies, and procedures;
- diversion of management's attention from ongoing business operations;
- establishing new informational, operational, and financial systems to meet the needs of our business;
- losing key employees, customers, and vendors;
- failing to achieve anticipated synergies, including with respect to complementary solutions; and
- unanticipated or unknown liabilities.

If we are not successful in completing acquisitions in the future, we may be required to reevaluate our acquisition strategy. We also may incur substantial expenses and devote significant management time and resources in seeking to complete acquisitions. In addition, we could use substantial portions of our available cash to pay all or a portion of the purchase prices of future acquisitions. If we do not achieve the anticipated benefits of our acquisitions as rapidly or to the extent anticipated by our management and financial or industry analysts, others may not perceive the same benefits of the acquisition as we do. If these risks materialize, there could be a material adverse effect on our business, results of operations, and financial condition.

Our future acquisitions may involve the issuance of our equity securities as payment, in part or in full, for the businesses or assets acquired, which would dilute our existing stockholders' ownership interests. Future acquisitions may also decrease our earnings or earnings per share and the benefits derived by us from an acquisition might not outweigh or exceed the dilutive effect of the acquisition. We also may incur additional indebtedness, have future impairment of assets or suffer adverse tax and accounting consequences in connection with any future acquisitions.

We could be sued for contract or product liability claims, and such lawsuits may disrupt our business, divert management's attention, or have a negative impact on our financial results.

We provide limited warranties to purchasers of our products and services. In addition, errors, defects or other performance problems in our products and services, including with respect to data that we store, process and provide in connection with our products and services, could result in financial or other damages to our customers or consumers. There can be no assurance that any limitations of liability set forth in our contracts would be enforceable or would otherwise protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors and omissions in excess of the applicable deductible amount; however, there can be no assurance that this coverage will continue to be available on acceptable terms, in sufficient amounts to cover one or more large claims or at all, or that the insurer will not deny coverage for any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations, and financial condition. Furthermore, litigation, regardless of its outcome, could result in substantial cost to us and divert management's attention from our operations and could have a material adverse effect on our business, results of operations, and financial condition. In addition, some of our products and services are business-critical for our customers, and a failure or inability to meet a customer's expectations could seriously damage our reputation and negatively impact our ability to retain existing business or attract new business.

Because we recognize revenue from our subscription-based products and services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.

We generally recognize revenue from sales of our subscription-based products and services ratably over the term of the subscription contract. As a result, the majority of our quarterly revenue is attributable to service contracts entered into during previous quarters. A decline in new or renewed service agreements in any one quarter will not be fully reflected in our revenue in that quarter but will harm our revenue in future quarters. Consequently, the effect of significant downturns in sales and market acceptance of our subscription services in a particular quarter may not be fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, because revenue from new subscription contracts, and from additional orders under existing subscription contracts, must be recognized over the applicable subscription term. In addition, delays or failures in deployment of our subscription services may prevent us from recognizing subscription revenue for indeterminate periods of time. Further, we may experience unanticipated increases in costs associated with providing our subscription services to customers over the term of our subscription contracts as a result of inaccurate internal cost projections or other factors, which may harm our operating results.

We may experience foreign currency gains and losses.

We conduct transactions and hold cash in currencies other than the U.S. dollar. Changes in the value of major foreign currencies, particularly the Canadian dollar, Euro, Pound Sterling, and Renminbi relative to the U.S. dollar, can significantly affect our assets, revenues, and operating results. Generally, our revenues are adversely affected when the dollar strengthens relative to other currencies and are positively affected when the dollar weakens. Similarly, cash, other bank deposits, and other assets held in foreign currency are adversely affected when the dollar strengthens relative to other currencies and are positively affected when the dollar weakens.

We may have exposure to unanticipated tax liabilities, which could harm our business, results of operations, financial condition, and prospects.

Our global business operations will subject us to income taxes as well as non-income based taxes, in both the U.S. and various foreign jurisdictions. The computation of the provision for income taxes and other tax liabilities is complex, as it is based on the laws of numerous taxing jurisdictions and requires significant judgment regarding the application of complicated rules governing accounting for tax provisions under GAAP. The provision for income taxes may require forecasts of effective tax rates for the year, which include assumptions and forward looking financial projections, including the expectations of profit and loss by jurisdiction. Various items cannot be accurately forecasted and future events may materially differ from our forecasts. Our provision for income tax could be materially impacted by a number of factors, including changes in the geographical mix of our profits and losses, changes in our business, such as internal restructuring and acquisitions, changes in tax laws and accounting guidance and other regulatory, legislative or judicial developments, tax audit determinations, changes in our uncertain tax positions, changes in our intent and ability to indefinitely reinvest foreign earnings, changes in our ability to utilize foreign tax credits, changes to our transfer pricing practices, tax deductions associated with stock-based compensation, and changes in our need for deferred tax valuation allowances. For these reasons, our actual tax liabilities in a future period may be materially different than our income tax provision.

In addition, changes in tax laws or tax rulings may have a significant adverse impact on our effective tax rate. Further, in the ordinary course of a global business, there are intercompany transactions where the ultimate tax determination is uncertain.

In the event that changes in tax laws negatively impact our effective tax rates, our provision for taxes, or generate unanticipated tax liabilities, our business, results of operations, and financial condition could suffer a material adverse effect.

There can be no assurance that we will have access to the capital markets on terms acceptable to us.

From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that the sources of capital currently in place will permit us to finance our operations for the foreseeable future on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future or at all will be impacted by many factors, including, but not limited to:

- our financial performance;
- our credit ratings;
- the liquidity of the overall capital markets; and
- the state of the economy.

There can be no assurance that we will have access to the capital markets on terms acceptable to us.

Risks Relating to Our Spin-Off from ADP

The spin-off could result in significant tax liability to ADP, and we could be required to indemnify ADP for such liability.

ADP obtained an opinion from Paul, Weiss, Rifkind, Wharton & Garrison LLP, its counsel, to the effect that, based on certain facts, assumptions, representations and undertakings set forth in the opinion, the spin-off qualifies as a transaction that is tax-free under Section 355 and other related provisions of the Code. ADP also received a private letter ruling from the U.S. Internal Revenue Service ("IRS") with respect to certain discrete and significant issues arising in connection with the transactions affected in connection with the spin-off.

The opinion and the ruling were based upon various factual representations and assumptions, as well as certain undertakings made by ADP and CDK. If any of those factual representations or assumptions are untrue or incomplete in any material respect, any undertaking is not complied with, or the facts upon which the opinion and the ruling were based are materially different from the facts at the time of the spin-off, the spin-off may not qualify for tax-free treatment. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS did not rule that the spin-off satisfies every requirement for a tax-free distribution. Opinions of counsel are not binding on the IRS or the courts. As a result, the conclusions expressed in an opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences to you could be materially less favorable.

If the spin-off were determined not to qualify as a tax-free transaction under Section 355 of the Code, each U.S. holder generally would be treated as receiving a distribution taxable as a dividend in an amount equal to the fair market value of the shares of our common stock received by the holder. In addition, ADP generally would recognize gain with respect to the spin-off and certain related transactions, and we could be required to indemnify ADP for any resulting taxes and related expenses, which could be material, and have a material adverse affect on our results of operations and financial condition.

The spin-off and certain related transactions could be taxable to ADP if CDK or its stockholders were to engage in certain transactions after the spin-off. In such cases, ADP and/or its stockholders could incur significant U.S. federal income tax liabilities, and we could be required to indemnify ADP for any resulting taxes and related expenses, which could be material.

We are agreeing to certain restrictions to preserve the treatment of the spin-off as tax-free to ADP and its stockholders, which will reduce our strategic and operating flexibility.

If the spin-off fails to qualify for tax-free treatment as discussed above, it will be treated as a taxable dividend to ADP stockholders in an amount equal to the fair market value of our stock issued to ADP stockholders. In that event, ADP would be required to recognize a gain equal to the excess of the sum of the fair market value of our stock on the spin-off date and the amount of cash received in the cash distribution over ADP's tax basis in our stock.

In addition, current tax law generally creates a presumption that the spin-off would be taxable to ADP, but not to its stockholders, if we or our stockholders were to engage in a transaction that would result in a 50% or greater change by vote or by value in our stock ownership during the two-year period beginning on September 30, 2014, unless it is established that the spin-off and the transaction are not part of a plan or series of related transactions to effect such a change in ownership. In the case of such a 50% or greater change in our stock ownership, tax imposed on ADP in respect of the spin-off would be based on the fair market value of our stock on the spin-off date over ADP's tax basis in our stock.

Under the tax matters agreement that we have entered into with ADP, we are generally prohibited, except in specified circumstances, for specified periods of up to 24 months following the spin-off, from

- issuing, redeeming or being involved in other significant acquisitions of our equity securities;
- transferring significant amounts of our assets;
- amending our certificate of incorporation or by-laws;
- failing to engage in the active conduct of a trade or business; or
- engaging in certain other actions or transactions that could jeopardize the tax-free status of the spin-off.

In connection with our spin-off from ADP, we and ADP incurred potentially significant indemnity obligations. If we are required to act on these indemnities to ADP, we may need to divert cash to meet those obligations, which could have a material adverse effect on our business, results of operations, and financial condition. In the case of ADP's indemnity, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities or that ADP will be able to satisfy its indemnification obligations in the future.

Under the tax matters agreement that we have entered into with ADP, we agreed generally to indemnify ADP for taxes and related losses it suffers as a result of the spin-off failing to qualify as a tax-free transaction, if the taxes and related losses are attributable to:

- direct or indirect acquisitions of our stock or assets (regardless of whether we consent to such acquisitions);
- negotiations, understandings, agreements, or arrangements in respect of such acquisitions; or
- our failure to comply with certain representations and undertakings from us, including the restrictions described in the preceding risk factor.

Our indemnity will cover both corporate level taxes and related losses imposed on ADP in the event of a 50% or greater change in our stock ownership described in the preceding risk factor, as well as taxes and related losses imposed on both ADP and its stockholders if, due to our representations or undertakings being incorrect or violated, the spin-off is determined to be taxable for other reasons.

Indemnities that we may be required to provide ADP may be significant and could have a material adverse effect on our business, results of operations, and financial condition, particularly indemnities relating to certain actions that could impact the tax-free nature of the spin-off. Third parties could also seek to hold us responsible for any of the liabilities that ADP has agreed to retain. Further, there can be no assurance that the indemnity from ADP will be sufficient to protect us against the full amount of such liabilities, or that ADP will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from ADP any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could have a material adverse effect on our business, results of operations, and financial condition.

Risks Relating to Our Common Stock

The market price of our shares may fluctuate widely.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

- our business profile and market capitalization may not fit the investment objectives of our stockholders, and our common stock may not be included in some indices, causing certain holders to sell their shares;
- a shift in our investor base;
- the actions of significant stockholders;
- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results;
- announcements and strategic moves, such as acquisitions or restructurings, by us or our competitors of significant acquisitions or dispositions;
- the failure of securities analysts to cover our common stock;
- the operating and stock price performance of other comparable companies;
- changes in expectations concerning our future financial performance and the future performance of our industry in general, including financial estimates and recommendations by securities analysts;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in the regulatory framework of our industry and regulatory action;
- changes in general economic or market conditions; and
- the other factors described in these “Risk Factors” and elsewhere in this Annual Report on Form 10-K.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

There is substantial volatility in the domestic and international stock markets that could negatively impact our stock regardless of our actual operating performance.

The stock market in general and the market for technology companies in particular have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to operating performance. These forces reached unprecedented levels in the second half of 2008 through the first quarter of 2009, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions and a material decline in economic conditions. In particular, the U.S. equity markets experienced significant price and volume fluctuations that have affected the market prices of equity securities of many technology companies.

These broad market and industry factors could materially and adversely affect the market price of our stock, regardless of our actual operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

Holders of our common stock may be adversely affected through the issuance of more senior securities or through dilution.

In addition to the debt financing arrangements we entered into as part of the spin-off from ADP, we may need to incur additional debt or issue equity in order to fund working capital, capital expenditures and product development requirements, maintain debt capacity levels, repurchase shares of our common stock, or to make acquisitions and other investments. If we raise funds through the issuance of debt or equity, any debt securities or preferred stock issued will have liquidation rights, preferences, and privileges senior to those of holders of our common stock. If we raise funds through the issuance of common equity, the issuance will dilute the ownership interests of our stockholders. We cannot assure our investors or potential investors that debt or equity financing will be available to us on acceptable terms, if at all. If we are not able to obtain sufficient financing, we may be unable to maintain or grow our business. It may also be more expensive for us to raise funds through the issuance of additional debt than the cost of raising funds or issuing debt for our business while we were part of ADP.

Provisions in our certificate of incorporation and by-laws and of Delaware law and our tax matters agreement may prevent or delay an acquisition of our Company.

Our certificate of incorporation and by-laws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making them more burdensome to the bidder and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of our stockholders to act by written consent; and

- the right of our Board of Directors to issue preferred stock without stockholder approval.

We have not opted out of the protections afforded by Section 203 of the Delaware General Corporation Law, which provides that a stockholder acquiring more than 15% of our outstanding voting shares (an "Interested Stockholder") but less than 85% of such shares may not engage in certain business combinations with us for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless, prior to such date, our Board of Directors approves either the business combination or the transaction which resulted in the stockholder becoming an Interested Stockholder or the business combination is approved by our Board of Directors and by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the Interested Stockholder.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal, and are not intended to make our Company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our Company and our stockholders.

Under the tax matters agreement that we entered into with ADP, we are generally prohibited, except in specified circumstances, for specified periods of up to 24 months following the spin-off from consenting to certain acquisitions of significant amounts of our stock.

As discussed above, an acquisition or further issuance of our equity securities could trigger a tax to ADP, requiring us under the tax matters agreement to indemnify ADP for such tax. This indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

We cannot assure you that we will continue to pay dividends or repurchase shares of our common stock at the times or in the amounts we currently anticipate.

Our Board of Directors have declared, and we have paid, regular quarterly cash dividends on our common stock. The payment of such quarterly dividends and any other future dividends will be at the discretion of our Board of Directors. There can be no assurance that we will continue to pay dividends, as to what the amount of any future dividends will be, or that we will have sufficient surplus under Delaware law to be able to pay any future dividends. This may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures, or increases in reserves. If we do not

pay future dividends, the price of our common stock must appreciate for you to receive a gain on your investment in us. This appreciation may not occur and our stock may in fact depreciate in value.

We have also indicated that we intend to return a significant portion of the free cash flow we expect to generate from our business transformation plan to our stockholders through, among other mechanisms, dividends and share repurchases. In December 2015, the Board of Directors authorized us to repurchase up to $1.0 billion of our common stock. During the fiscal year ended June 30, 2016, we entered into two accelerated share repurchase transactions to repurchase $550.0 million of our common stock under this authorization resulting in a delivery during fiscal 2016 of 6.0% of our outstanding shares of common stock as of June 30, 2015. This authorization superseded and replaced the prior authorization by the Board of Directors which was approved on January 20, 2015 and had authorized us to repurchase up to 10.0 million shares of our common stock. We repurchased a total of approximately 1.2 million shares of our common stock under the prior authorization. There can be no assurance that we will be able to repurchase shares of our common stock at the times or in the amounts we currently anticipate due to market conditions, our cash and debt position, applicable laws and other factors, or that the results of the share repurchase program will be as beneficial as we currently anticipate.

The interests of significant stockholders may conflict with our interests or those of other stockholders, and their actions could disrupt our business and affect the market price and volatility of our securities.

As of June 30, 2016, three of our stockholders have made filings on Schedule 13D with the SEC indicating that they may take positions or make proposals with respect to, or with respect to potential changes in, among other things, our operations, management, management and employee incentives, our certificate of incorporation and bylaws, the composition of our Board of Directors, ownership, capital allocation policies, capital or corporate structure, dividend policy, potential acquisitions involving us or certain of our businesses or assets, strategy, and plans. The foregoing positions or proposals may not in all cases be aligned with the interests of our other stockholders. Significant stockholders may have an interest in pursuing acquisitions, divestitures, and other transactions that, in their judgment, could enhance their investment, even though such transactions involve risks to our other stockholders.

Responding to actions by these, or other, significant stockholders can be costly, time-consuming, and disrupting to our operations and can divert the attention of management and our employees. Such activities could interfere with our ability to execute our business strategy, including our business transformation plan and the return of capital to our stockholders. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our Board of Directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own or lease approximately 1.4 million square feet of real estate, consisting of office and other commercial facilities around the world. We own and maintain our global headquarters, totaling approximately 155,000 square feet, in Hoffman Estates, Illinois. We also own or lease approximately 34 locations in North America and 40 locations internationally. Continued execution of our business transformation plan will reduce our facility footprint. As of June 30, 2016, we have announced the intent to close 9 facilities by June 30, 2018.

We regularly add or reduce facilities as necessary to accommodate changes in our business operations. We believe that our facilities are adequate to meet our immediate needs, and that, if and when needed, we will be able to secure adequate additional space to accommodate future expansion.

Item 3. Legal Proceedings

From time to time, we are involved in legal, regulatory, and arbitration proceedings concerning matters arising in connection with the conduct of our business activities. We do not expect that any adverse outcome in one or more of these proceedings will have a material adverse effect on our business, results of operations, financial condition, or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity

Our common stock began trading "regular way" on the NASDAQ Global Select Market under the symbol "CDK" on October 1, 2014. As of June 30, 2016, there were 17,002 holders of record of our common stock. As of such date, approximately 152,897 additional holders held their common stock in "street name." The following table sets forth the reported high and low sales prices of the Company's common stock reported on the NASDAQ Global Select Market and the cash dividend per share of common stock declared during the fiscal quarters indicated.

	Price Per Share		Dividends
	High	Low	Per Share
Year ended June 30, 2016			
First Quarter	$ 55.25	$ 40.52	$ 0.120
Second Quarter	$ 51.36	$ 45.02	$ 0.135
Third Quarter	$ 47.68	$ 39.67	$ 0.135
Fourth Quarter	$ 58.16	$ 45.12	$ 0.135
Year ended June 30, 2015			
Second Quarter	$ 43.16	$ 25.00	$ 0.120
Third Quarter	$ 49.80	$ 38.83	$ 0.120
Fourth Quarter	$ 57.89	$ 44.69	$ 0.120

Dividends

We expect to continue to pay dividends on our common stock. However, the declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our businesses, legal requirements, regulatory constraints, industry practice and other factors that our Board of Directors deems relevant. There can be no assurance that we will continue to pay dividends or guarantee of the amounts of such dividends.